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ATTACHMENT C to [REDACTED]

Dated: 24 Sep 56

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SUMMARY OF POINTS DISCUSSED AT FE FINANCE CONFERENCE

13-17 JULY 1956

A. Improvements Noted in Headquarters' Servicing of Field Activities

1. There was a notable improvement during the past year in Headquarters' responsiveness and promptness in answering individual cables and correspondence pertaining to specific financial problems.
2. Instructions and requests concerning monetary and funding matters are answered promptly, fully, and clearly. (One exception noted in this respect was the delay in connection with the funding of the [REDACTED] account at [REDACTED].)
3. The efficiency with which field staff employees' pay and allowance accounts are handled at Headquarters appears to have improved greatly. There are far fewer complaints from individuals concerning errors made in their pay and allowance accounts than a year ago.
4. The general caliber of finance employees sent to the field is high, although deficiencies in training for the specific types of duties required at field stations were noted.
5. The simplification of budget data required by Headquarters in their 1958-59 Call for Estimates will save considerable work at the field stations.
6. Headquarters' recent approval of a plan to reimburse ODEARL units for supplies, services, and materials, at the field level, should result in considerable savings in work at field stations.
7. The procedure for accounting and reporting of cash collections, forwarded from Headquarters by [REDACTED] has been of considerable value to field stations, and has resulted in a more consistent system for accounting and reporting cash collections.

B. Criticisms and Suggestions Requiring Headquarters' Attention or Action

1. The most general criticism of the KUBARK financial system was that it does not provide a means whereby a field allottee (case officer or other individual responsible for the management of a field project or activity) may be kept advised of the total amount of his allotment, the current status of his obligations and expenditures, and the balance remaining for obligation. The fact that allotments to a field project or activity exclude funds available for supplies

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and materials, and the fact that a segment of the project allotment is retained for Headquarters obligation means that the field allottee is actually never advised of the total amount available for his project or activity, and there is no means provided in the present KUBARK financial system of insuring, or advising the allottee on a current basis of, the correct status of expenditures and obligations for supplies and materials issued to a project or of that portion expended or obligated by Headquarters.

It was the consensus of the Finance Officers attending the conference that the KUBARK financial system should be revised to provide that:

- a. Allotment advices to field projects or activities should include the total amount of the allotment divided into:
- (1) Amount retained for Headquarters obligations.
  - (2) Amount available for field obligations for:
    - (a) Supplies and materials.
    - (b) Other project or activity expenses.

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Field finance accounts should record obligations and expenses for supplies and materials issued to field projects or activities against the project or activity allotment on a current basis, and Headquarters should apprise field stations of the obligations recorded against the Headquarters' portion of allotments on a periodic basis. This would enable field Finance Officers to insure that project obligations do not exceed authorized amounts and to provide case officers with factual reports concerning the financial status of their projects, which they need for management purposes.

2. The Class A accounting system could be simplified and work at field stations reduced if Headquarters would reduce the number of expense object classifications.
3. Work at field stations could be reduced if Headquarters would authorize field stations to carry and disburse foreign currencies at "fixed" rates. It was noted that Headquarters had previously objected to this on the grounds that it would "distort" the real cost of operations. It was pointed out, however, that the rate could be "fixed" and changed as necessary so as to eliminate major distortions. It was also pointed out that KUBARK uses a "fixed" catalog price in costing property acquisitions and issues and that the differences between actual costs and book costs involved in this

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process are far greater than those that would result from carrying foreign currencies at a "fixed" rate. (e.g., The difference between KUBARK catalog prices and [REDACTED] actual prices of some materials is greater than the difference between [REDACTED] currency prices and the legal or "fixed" prices of such currencies.)

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FE 4. Approved programs and budgets are not furnished to field stations in sufficient time to provide maximum benefit and guidance.

FE 5. Several of the Finance Officers mentioned the fact that travel orders, obligation transfer notices, and T/A's on employees transferred PCS from Headquarters to their stations are not being received promptly.  
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25X1A9a 6. Headquarters is slow in acting upon write-offs of operational type advances referred to Headquarters in accordance with regulations. A number of delays ranging from four months to two years were cited.

FE 7. Field stations are not always provided with allotments or expenditure limitations on proprietary projects. (e.g., No limitation of any type has ever been placed upon the field expenditures of project [REDACTED])

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8. In discussing KUBARK regulations and procedures several points were brought out:

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a. [REDACTED]

b. There are no procedures in the field which give any guidance or criteria for "servicing" case officers and which emphasize the importance of rendering assistance and guidance to the case officer in the financial management of projects and operations.

c. [REDACTED]

d. [REDACTED]

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The following criticisms were made in connection with the training, rotation, and promotion of finance employees:

- a. The type of training being given at Headquarters to an employee proceeding to the field does not generally cover the specific types of duties he will be required to perform at a field station.
- b. Headquarters has apparently discontinued the practice of advising finance employees of plans for their next assignment prior to their rotation back to Headquarters. It was recommended that all finance employees be advised, specifically if possible, or at least generally, of Headquarters' plans for their next assignment prior to the time they depart from their overseas station.
- c. Two recent cases were mentioned where Headquarters had disapproved promotions recommended by the field on the grounds that the Finance Career Board will not grant promotions to employees who are scheduled for rotation back to Headquarters. It was recognized that Headquarters might have to disapprove promotions because of lack of adequate slots, or because, on a comparative basis, some other individual might be better qualified for the promotion. It was felt, however, that to deny promotion to an individual because he is in process of rotation, as ordered, is contrary to the objectives of the Career Service Program which is to seek out and promote the best men wherever they may be.

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10. FE Field Dispatch [REDACTED] attempted to establish a uniform per diem policy for the FE Area, which is certainly a step in the right direction. It was pointed out, however, that the provision contained in this dispatch for reducing the per diem rates at some points after five days is inequitable since the travelers' expenses do not actually decrease. It was also pointed out that (a) the provision of the dispatch does not cover certain SEA stations, (b) there are inconsistencies as to deductions made as between civilian and military employees, and (c) certain requirements in the dispatch are impractical or contrary to security instructions. It was recommended that Headquarters revise and refine this procedure in order to provide a more equitable and consistent per diem policy for the FE Area.

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11. The consensus of the conferees was that the decentralization of the property financial records is a step in the right direction. It places the property financial records at the Bases where the stock record cards are located. This should bring about closer coordination and cooperation between the Base Finance Officer and the Base Supply Officer. Each will learn the other's requirements, procedures, and problems which should materially reduce the differences, which require reconciliation, between the monetary value of property as reflected on the property financial records and the extended value of the stock record cards. Comments made and reservations expressed concerning financial accounting for property procedure include the following:

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- a. The procedure requires the Station Supply Officer to prepare Property Issue Reports which reflect, for each project or activity, by family group, the value of expendable material issued. These reports do not, however, reflect the value of non-expendable property issued on memorandum receipt. Consequently, the Property Issue Report covers only a segment of, instead of all, property issued to a project. This segment of information is of little practical value at the field level since it cannot be related to or included as a charge against the project allotment because the project allotment received from Headquarters does not include funds for supplies and materials. This is part of the same problem mentioned under item B.1., above. Both the financial accounting for property system and the allotment system need to be revised so that our accounts and reports will reflect the amount authorized for, and the resources used by, each project.
- b. Headquarters is following the policy of charging to cost (rather than to In-Transit) certain types of expendable materials which are shipped to field installations (see [REDACTED] dated 6 May 1955). This has presented problems in the field. A discussion of these problems and recommendations relating thereto are contained in [REDACTED] dated 11 July 1956.
- c. Headquarters' estimate of the additional time required to operate the manual system at each station on the part of Finance and Logistics personnel (as contained in [REDACTED]) has been found to be grossly short of the time actually required.

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d. [REDACTED]

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12. Some difficulty and confusion is experienced in the field in connection with the budget preparation and use of [REDACTED] and KUCLUB Support Allotments. This results primarily from the fact that the two policies are different. A KUCLUB Support Allotment is charged only for 02, 03, 08 and 09 items, while Station Support is charged with 04, 05, 06 and 07 costs. A KURIOT Support Allotment, on the other hand, is charged with all Support costs except minor common use items. A common and uniform policy for all satellited activities, including these as well as [REDACTED] and USSR elements, would do much toward solving this difficulty.

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C. Improvements Noted in Field Finance Activities

Discussion and assessment of financial practices and techniques at the various FE stations indicated general improvements during the past year, including the following:

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1. Improvements in controlling, accounting for and reporting of mess, club, and non-appropriated funds activities at the various FE stations.
  2. Improvements in controlling and accounting for cash collections.
  3. The establishment of local ground rules for controlling overtime work, housing expenses under [REDACTED] and the reimbursement for the use of official vehicles for R&R purposes.
  4. The maintenance of better physical control and custody of funds at field stations and the formal verification of cash by periodic cash counts.
  5. Improved techniques in connection with auditing, accounting, and reporting functions.
  6. Better understanding of budgeting practices and the use of the budgets as instruments of financial planning and control.
  7. Better servicing of staff agents; extension of assistance in connection with pay, allowance, and income tax problems, as well as assistance and guidance in accounting and reporting on operational expenses.

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D. Further Improvements in Field Finance Activities Emphasized

Through discussions at the conference, it was determined that some stations needed to place greater emphasis on certain financial activities including the following:

1. Improvement in techniques and methods of rendering more financial assistance and service to case officers.
2. A closer follow-up on outstanding advances.
3. The maintenance of better cost records on individual quarters rental and upkeep under [REDACTED] so that individual abuses and inflationary patterns may be called promptly to the attention of the Chief of Station.
4. More frequent site audits, and improvement in control techniques, in connection with the handling of large recurring advances and revolving funds.
5. Further improvements in local ground rules and the refinement of field audit standards used in processing claims and accountings.
6. A closer check on accountings and claims covering expenses incurred in the operation of Q/P vehicles.
7. Closer coordination between Logistics and Finance personnel at field stations, especially in relation to the installation and maintenance of the Financial Property Accounting System.

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